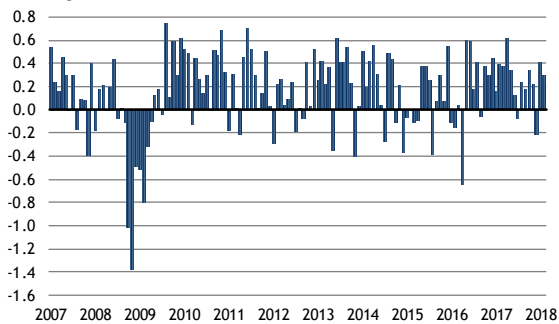


## Overview and highlights

### Real GDP

% change, month-over-month



Source: Statistics Canada

▲ The 1.3% increase in GDP in Q1 was a bit softer-than-expected.

▲ May employment unexpectedly fell 7.5K following a 1.1k drop in April.

▲ Retail sales rose 0.6% in nominal terms in March — marking a third straight monthly gain.

▲ Housing starts dropped to 196k in May, down almost 10% from 217k in April and the first sub-200k reading in a year.

▲ The improvement in the nominal trade deficit to \$1.9 billion more-than-retraced a surprisingly large deterioration to \$3.9 billion in March from \$2.7 billion in February.

▲ All items inflation edged back down to 2.2% year-over-year in April after having increased to 2.3% in March.

## CURRENT TRENDS UPDATE — CANADA

Update - June 8, 2018

### Canadian GDP up 1.3% in Q1 but with stronger details

Latest available: March

Release date: May 31, 2018

The 1.3% increase in GDP in Q1 was a bit softer-than-expected — both by markets and the Bank of Canada who it turns out could have stuck with their 1.3% call from January rather than hinting at some upside risk in yesterday's policy rate announcement. Notwithstanding the headline miss, though, details were relatively solid. On a monthly basis, weakness was concentrated in January with March output rising 0.3% after a 0.4% February gain to leave stronger momentum entering the second quarter. Final domestic demand rose a solid 2.1% in Q1, led by a big 10.9% jump in business investment. Residential investment fell 7.2%, but that was expected given the big drop in home resales earlier this year. Consumer spending rose just 1.1% on a quarter-over-quarter basis but was still up almost 3% from a year ago. Net trade was the main drag on growth but largely because all of that domestic demand growth boosted imports which more than offset an unexpected (albeit still modest) export rise.

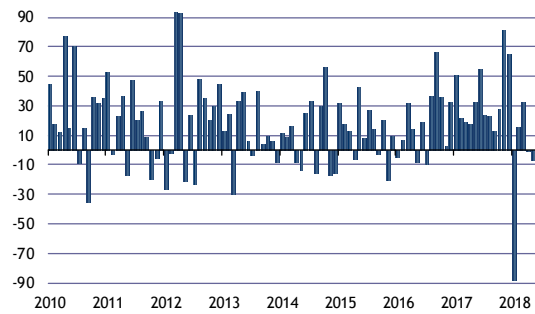
### Economy at a glance

	Lastest month	% change from	
		Previous month	Year ago
Real GDP	Mar	0.3	2.9
Industrial production	Mar	0.9	4.9
Employment	May	0.0	1.3
Unemployment rate*	May	5.8	6.5
Manufacturing			
Production	Mar	0.1	2.5
Employment	May	-1.0	0.1
Shipments	Mar	1.4	6.4
New orders	Mar	-0.7	6.9
Inventories	Mar	0.7	7.2
Retail sales	Mar	0.6	4.1
Car sales	Mar	-0.2	-0.6
Housing starts (000s)*	May	195.6	193.8
Exports	Apr	1.6	3.1
Imports	Apr	-2.5	4.7
Trade balance (\$billions)*	Apr	-1.9	-1.1
Consumer prices	Apr	0.3	2.2

\* Levels are shown for the latest period and the same period a year earlier.

## Employment

Change in thousands, month-over-month



Source: Statistics Canada

## Unemployment rate

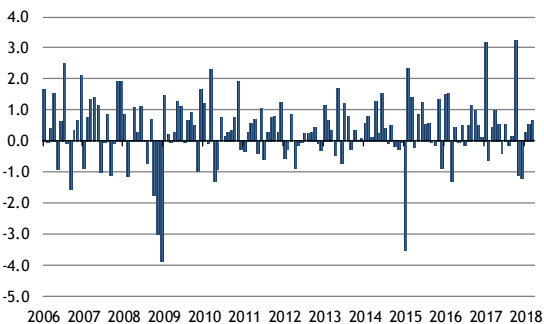
% of labour force



Source: Statistics Canada

## Retail sales

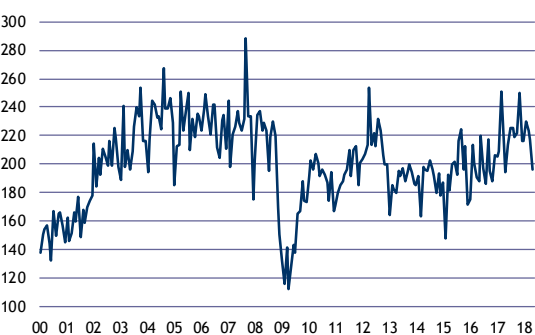
% change, month-over-month



Source: Statistics Canada

## Housing starts

Thousands



Source: Canadian Mortgage and Housing Corporation

## Canadian May employment drops though the unemployment rate stays low

Latest available: May

Release date: June 8, 2018

May employment unexpectedly fell 7.5K following a 1.1k drop in April. To date this year employment has declined an average of 10k per month but is still up 20k per month over the last 12 months. Despite declining employment, the unemployment rate has remained low averaging 5.8% to date this year and thus below assumed full employment within a range of 6% to 6 1/2%. The annual increase in wages rose to 3.9% from 3.3% in April reflecting in part a minimum wage increase in Quebec though tight labour markets was also likely a key factor.

## Canadian retail sales up 0.6% in March

Latest available: March

Release date: May 18, 2018

Retail sales rose 0.6% in nominal terms in March — marking a third straight monthly gain. Volume sales rose 0.8% to mark a second consecutive monthly increase. The measure was still down 4.0% at an annualized rate in Q1 but a return to positive growth in the last two months increases the odds that an upward trend resumes in Q2. E-commerce sales, which represents 2.6% of overall retail sales, were up 11.1% from a year ago.

## Canadian housing starts dropped in May

Latest available: May

Release date: June 8, 2018

Housing starts dropped to 196k in May, down almost 10% from 217k in April and the first sub-200k reading in a year. The often-volatile multiple-unit component dropped 16% while single-unit starts rose 2%. Regionally, there were big declines in Ontario and Quebec — both driven by big declines in multiple-unit starts — but increases in the Prairies and British Columbia. Clearly there has been a slowing in home resale activity year-to-date in Canada following the implementation of new mortgage stress tests — and we expect that will eventually be followed by slower homebuilding as well. The drop in May starts, though, probably reflects 'normal' monthly volatility more than a deterioration in underlying trends.

## Canada's trade deficit shrunk sharply in April

Latest available: April

Release date: June 6, 2018

The improvement in the nominal trade deficit to \$1.9 billion more-than-retraced a surprisingly large deterioration to \$3.9 billion in March from \$2.7 billion in February — and with relatively solid underlying details. The 1.6% increase in nominal exports built on a 4% increase in March and was largely the result of higher volume sales rather than prices. The 1.3% increase in export volumes was led by a 1 1/2% rise in non-energy sales abroad that built on a 2 1/2% March increase. The almost 2% drop in import volumes only partially retraced a 4.7% gain the prior month as motor vehicle and consumer goods purchases eased lower after big March gains. Equipment import volumes, a key indicator of domestic investment spending, also ticked lower but the April level was still above its Q1 average.

## Canadian inflation treaded water in April

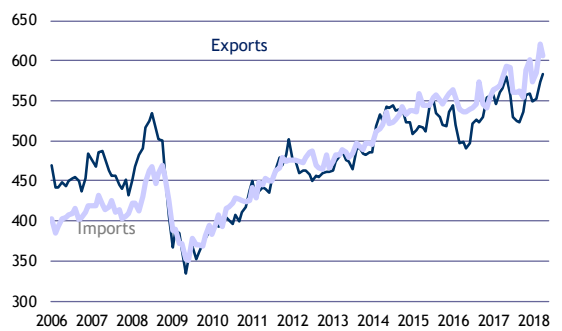
Latest available: April

Release date: May 18, 2018

All items inflation edged back down to 2.2% year-over-year in April after having increased to 2.3% in March. Market expectations, and our own, were for headline inflation to hold steady at 2.3%. CPI ex food and energy also dipped slightly to 1.8% from 1.9%. The Bank of Canada's core measures, however, generally increased in April. The trim and median measures both rose to 2.1%. Including CPI-common, the average of the three was 2.0% after rounding for a third consecutive month. After accelerating over the last two months, energy inflation slowed on a year-over-year basis as a sharp increase in gasoline prices in April 2017 was not matched this year. We should see the opposite in May, with pump prices having increased recently compared with a decline a year ago.

### Merchandise trade

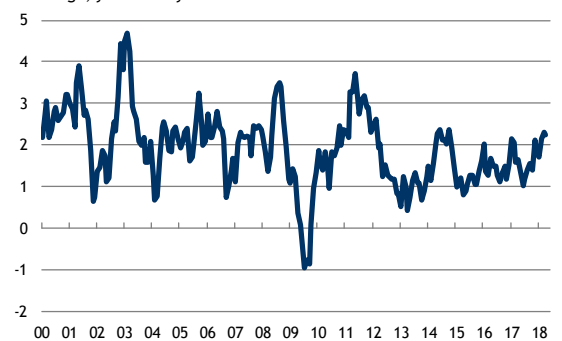
C\$ billions, annualized



Source: Statistics Canada

### Consumer price index

% change, year-over-year



Source: Statistics Canada

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